OPENING STATEMENT OF CHAIRMAN TOM UDALL

Senate Appropriations Subcommittee on Financial Services and General Government

Hearing on the FY 2014 Funding Requests and Budget Justifications of the Commodity Futures Trading Commission and the Securities and Exchange Commission

Room 138 Dirksen Senate Office Building Tuesday, June 25, 2013

I am pleased to convene this hearing of the Financial Services and General Government Subcommittee to consider the Fiscal Year 2014 funding requests of two key Federal regulatory agencies: the Commodity Futures Trading Commission and the Securities and Exchange Commission.

I welcome my distinguished ranking member, Senator Mike Johanns, and our colleagues here today with us. And also others who may arrive a little later.

Joining us today are the Honorable Gary Gensler, Chairman of the Commodity Futures Trading Commission; and the Honorable Mary Jo White, Chairman of the Securities and Exchange Commission. They will discuss the critical work of their agencies, share how they have used the resources provided over the past couple years, and explain the details of their budgetary needs for Fiscal Year 2014.

The Subcommittee has received a statement for the record from Colleen Kelley, President of the National Treasury Employees Union, regarding the funding for the SEC. If there's no objection, I ask that it be included in the record of these proceedings.

The responsibilities of these agencies have grown dramatically over the past three years. The CFTC and the SEC both have pivotal roles to play in stimulating and sustaining economic growth and prosperity in our country, in protecting the marketplace from fraud and manipulation, and in implementing Dodd-Frank reforms.

During the debate on Dodd-Frank and as we work through its implementation, my constituents have made clear that they support these reforms. The hardworking and honest people of New Mexico want us to prevent the reckless and abusive practices that contributed to the financial crisis.

While some sectors of our economy are recovering, many families have not. They continue to struggle. I believe it is my responsibility to them, and to all Americans who suffered as part of the crisis, to ensure that we work to fully implement Dodd-Frank. We need a financial system that is safe and sound because what happens on Wall Street touches every American family whether they are putting away a little something to buy their first home, are helping put their kids through college or are planning for retirement. They put their faith in our financial markets and we cannot let them down.

They are not the only ones. Market users, financial investors, and the U.S. economy all rely on vigilant oversight by these two agencies. Especially in today's rapid-paced, evolving, and often volatile global marketplace.

It is clear that both Chairman Gensler and Chairman White, their fellow Commissioners, and their staffs have devoted many hours toward a more reliable regulatory structure – one that will ensure the stability and integrity of the futures and securities markets.

We depend on your leadership to effectively implement the comprehensive reforms designed to strengthen our regulatory framework.

The CFTC carries out market surveillance, compliance, and enforcement programs in the futures and swaps arena. It detects, deters, and punishes abusive trading activity and manipulation of commodity prices, preventing negative impacts on consumers and the economy.

The CFTC regulates the activities of over 62,000 salespersons, commodity pool operators, trading advisors, and brokers. Currently, the CFTC has designated 16 contract markets--boards of trade or exchanges--that meet criteria for trading futures or options or both. In addition, 17 derivative clearing organizations are registered with the CFTC.

Adding to the challenge of your mission is a significantly transformed, and highly diversified, marketplace – marketplace that is globalized, electronic, and round-the-clock. Three years ago, that mission was substantially expanded to embrace oversight of the swaps marketplace – the vast "once-in-the-shadows" world of over-the-counter derivatives.

As the "investors' advocate," the SEC also has crucial responsibility: to maintain fair, orderly, and efficient stock and securities markets. The SEC conducts day-to-day oversight of the major market participants, monitors corporate disclosure of information to the investing public, and investigates and pursues enforcement action against securities law violations.

To fulfill its duties, the SEC monitors approximately 35,000 entities. These include 11,000 investment advisers with \$44 trillion dollars in assets under management, 9,700 mutual funds and exchange traded funds, and 4,600 broker-dealers with more than 160,000 branch offices.

The SEC also is responsible for reviewing the disclosures and financial statements of approximately 9,500 reporting companies and oversees approximately 460 transfer agents, 17 national securities exchanges, 8 active clearing agencies, 10 nationally recognized statistical rating organizations, and four oversight boards.

Like the CFTC, the enactment of the Dodd-Frank Act 3 years ago dramatically expanded the SEC's responsibilities. You were thrust into the driver's seat for issuing 100 new rules, creating five new offices, producing more than 20 studies and reports, overseeing the over-the-counter derivatives market and hedge fund advisers, registering municipal advisors and security-based swap market participants, and creating a new whistleblower program, among other new duties.

The Jumpstart Our Business Startups Act of 2012 added more to the plate, directing the SEC to write rules and issue studies on capital formation, disclosure, and registration requirements.

Forecast for 2014

Looking ahead, for FY2014, the President seeks funding of \$315 million dollars for the CFTC. An increase of \$110 million, or 54 percent, over the FY13 enacted level of \$204.8 million, not including sequester. Under sequestration, the CFTC is currently operating at \$194.5 million, significantly below the level of \$308 million requested for FY13 and recommended by this subcommittee.

For the SEC, the President's FY14 budget seeks base funding of \$1.674 billion dollars. This is an increase of \$353 million, or 27 percent, above the FY13 base enacted level of \$1.321 billion, not including the sequester amount of \$66 million. The SEC has slightly over \$100 million in unobligated balances to further support its operating expenses this year, which helps mitigate some of the effects of sequester.

But the total funding available still falls far short of the \$1.566 billion requested for 2013 and that this subcommittee had recommended.

Oversight Responsibility

Congress probably exercises its most effective oversight of agencies and programs through the appropriations process. Allowing an annual check-up and review of operations and spending. Today's hearing provides a valuable opportunity to ask some important questions:

- Are the CFTC and the SEC keeping pace with developments in the markets? Particularly with new, more complex financial products?
- Do the agencies have the right mix of talent and specialized expertise to be vigilant watchdogs?
- Do they have nimble, state-of-the-art information technology to augment and support their human capital?
- What are the likely consequences of continued budget shortfalls and reduced resources?

I welcome the opportunity today to conduct critical oversight of these two agencies. And look forward to a candid discussion of where they are today, where they need to be more robust, responsive regulators, and how we can work to provide resources they need to satisfy their vital missions.

It will be helpful to hear from both Chairmen, to have their honest appraisals about the resources they will require to achieve their missions to keep pace with change, and to responsibly manage taxpayer dollars.